

VZCZCXRO8829
PP RUEHAG RUEHBC RUEHDBU RUEHDE RUEHDIR RUEHKUK RUEHROV
DE RUEHKB #1717/01 3310936
ZNY CCCCC ZZH
P 270936Z NOV 06
FM AMEMBASSY BAKU
TO RUEHC/SECSTATE WASHDC PRIORITY 1795
INFO RUCNCIS/CIS COLLECTIVE
RUCNMEM/EU MEMBER STATES
RUCNIRA/IRAN COLLECTIVE
RUEHAK/AMEMBASSY ANKARA 1861
RUEHSI/AMEMBASSY TBILISI 1433
RUEHYE/AMEMBASSY YEREVAN 1211

C O N F I D E N T I A L SECTION 01 OF 02 BAKU 001717

SIPDIS

SIPDIS

E.O. 12958: DECL: 11/19/2016

TAGS: [EPET](#) [AJ](#) [PREL](#)

SUBJECT: AZERBAIJAN: BP EXEC MEETS PRESIDENT ALIYEV, SOCAR
PRESIDENT ABDULLAYEV

REF: A. 11/03/06 BAML EMAIL

[1](#)B. 11/03/06 YOUNG EMAIL

BAKU 00001717 001.2 OF 002

Classified By: Ambassador Anne. E. Derse, Reasons 1.4 (b,d)

[1](#)1. (C) SUMMARY: This cable relays for broader distribution informed shared earlier in ref email. In a November 2 meeting, BP Executive Vice President Andy Inglis gave the Ambassador his read-out of separate meetings earlier that day with President Aliyev and with SOCAR President Rovnaq Abdullayev. Aliyev seemed resolute in his desire to provide Georgia with gas, despite any possible negative repercussions it would have on Gazprom gas sales to Azerbaijan. Aliyev agreed to the formation of a joint BP-SOCAR working group to address short-term gas issues. Abdullayev told of his just completed visit to Turkey, where he was unsuccessful in getting Energy Minister Gular to agree to forgoing 2007 Shah Deniz gas deliveries. Inglis asked for USG help in persuading Turkey to work with Azerbaijan to find a mutually satisfactory solution to the short-term gas shortage such that longer-term gas deliveries to Turkey and Europe are not imperiled. BP believes this problem needs to be fixed by December. Embassy will continue to engage with the appropriate GOAJ interlocutors to help ensure that a mutually satisfactory solution is found to any upcoming regional gas shortage. END SUMMARY

[1](#)2. (C) On November 2 the Ambassador met with BP Azerbaijan President David Woodward (outgoing), BP Azerbaijan President Bill Schrader (incoming), BP Executive Vice-President and Deputy Chief Executive of Exploration and Production Andy Inglis, BP Group VP for Caspian/Middle East/Africa Richard Paniguan, and UK Ambassador Laurie Bristow, to discuss the BP group's separate meetings earlier that day with President Aliyev and SOCAR President Rovnaq Abdullayev.

READOUT OF BP - ALIYEV MTG

[1](#)3. (C) Inglis explained that he had met most recently with President Aliyev approximately three months previously, and met with him this trip to discuss the four main themes of a white paper BP presented to him, focused on past and future BP assistance to Azerbaijan. Inglis said the four main themes of this white paper (a copy of which was subsequently given to the Ambassador) were:

- resolving current ACG-related issues to maximize recovery
- developing a gas strategy to accelerate GOAJ energy

self-sufficiency

- supporting SOCAR in developing its capabilities
- furthering BP's broader commitment to Azerbaijan (i.e. BP social programs)

¶4. (C) Inglis said that President Aliyev was pessimistic about the GOAJ receiving gas from Russia in 2007 (this meeting took place before Aliyev's November 9 Moscow meeting with Putin, during which they were reportedly unable to come to an agreement on gas sales). Aliyev believed it quite possible that the GOAJ would receive no gas from Gazprom in 2007, or at best, only 1.5 billion cubic meters (bcm) at USD 230 per thousand cubic meters (tcm). Aliyev thought that Russia sought to cut gas flows to Georgia for political reasons, and that if the GOAJ supplied Georgia with gas for the 2007 winter it too would be deprived of Russian gas, a fate to which Aliyev was resigned. ("Even in our darkest days, we never bowed," Aliyev told the executives). In this regard, Inglis told the Ambassador that BP thinks that Aliyev will not take Gazprom gas under the stipulation that Azerbaijan provide no gas to Georgia. (In a separate meeting with the BP Caspian Development Advisory Panel on November 2, President Aliyev reportedly said that GOAJ would seek to supply Georgia up to one bcm).

¶5. (C) Concerning possible 2007 Azerbaijan gas shortages, Inglis said that President Aliyev agreed to a proposal included in the BP White Paper for a joint BP-SOCAR working group to identify possible solutions for reducing potential gas shortfalls over the coming 2006/2007 winter. This group will report to President Aliyev and Inglis before the end of ¶2006. As for possible alternative supplies of gas for Azerbaijan, Inglis said that with 'early access' to ACG deep gas, GOAJ could produce 1-3 bcm/a from this source by 2008-9. (Comment: BP and SOCAR have distinctly different priorities when discussing how best to tackle Azerbaijan's short-term domestic gas needs. BP highlights the possibility of GOAJ

BAKU 00001717 002.2 OF 002

agreeing that BP exploit ACG deep gas, not part of the current PSA, while SOCAR prefers that BP give Azerbaijan more associated gas from the current ACG exploitation, which BP seeks to use for re-injection).

¶6. (C) Concerning his impression of President Aliyev, Inglis said that President Aliyev 'gets' the oil/gas industry, and displays a mastery of the related details. Inglis said Aliyev seemed more confident about Azerbaijan's increasing ability to act independently regionally than he did in previous meetings. Inglis said he was concerned that GOAJ's self-confidence might extend itself into unwarranted GOAJ hubris. Inglis also said that Aliyev had the correct strategic vision about what Azerbaijan had to do to ensure a prosperous and stable future, but there was a serious question as to whether there was sufficient implementation capacity in the GOAJ to successfully implement his vision. (Comment: Other senior visitors who have met recently with Aliyev including the annual EBRD delegation and the Caspian Development Advisory Panel echoed this view of Aliyev's new confidence and mastery of the issues.)

READOUT OF BP-SOCAR MTG

¶7. (C) Inglis told the Ambassador that he had met with SOCAR President Aliyev immediately after his meeting with President Aliyev. Abdullayev had just returned from the trip he and DPM Abid Sharifov had made to Turkey, where they met with Energy Minister Gular and Botas to inform them of the GOAJ's desire to amend their agreement on delivering Shah Deniz gas. Abdullayev told Inglis that upon hearing of the GOAJ's short-term gas problems, Gular commiserated but reminded Abdullayev that Turkey had a valid contract, and was expecting delivery of the contracted gas (Comment: Abdullayev apparently did not tell Inglis of Turkey's counter-proposal, in which Turkey offered to delay acceptance of some 2007 Shah

Deniz gas, as long as the delayed amounts were delivered in subsequent years at the agreed upon price of USD 120/tcm. Giving his impression of the SOCAR meeting to the Ambassador, Inglis said that it seemed there was no meaningful dialogue between Abdullayev/Sharifov and their Turkish interlocutors).

BP ASSESSMENT

18. (C) Inglis told the Ambassador and UK Ambassador Bristow that BP needs both USG and UK help in moving Turkey toward a mutually satisfactory solution with Azerbaijan regarding 2007 Shah Deniz gas supplies to Turkey. BP also needs help in getting the political signals down to the working levels that Turkey wants to help Azerbaijan and Georgia. He stressed that the question of how much 2007 Shah Deniz gas Turkey is to get and at what prices "needs to be fixed by December," otherwise all concerned will start to panic as January 01, 2007 approaches. Inglis said that he did not think that Turkey was technically ready to receive the Shah Deniz gas, and that due to the approaching winter, completion might 'slide' until spring. "While the Turks are great at laying pipe, they have problems with things like block valves." (Note: In a subsequent meeting, BP President Woodward told the Ambassador that Turkey could accelerate its preparation to receive Shah Deniz gas by ignoring international standards and doing a 'rush job').

DERSE